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American Baptist Churches of Wisconsin

Church of God in Christ, Wisconsin First Jurisdiction

Episcopal Church, Diocese of Milwaukee

Evangelical Lutheran Church in America, Greater Milwaukee Synod

Islamic Society of Milwaukee

Milwaukee Jewish Council for Community Relations

Milwaukee Jewish Federation

Presbyterian Church (USA), Presbytery of Milwaukee

Religious Society of Friends, The Milwaukee Meeting

Roman Catholic Church, Archdiocese of Milwaukee

Unitarian Universalist Churches, Southeastern Wisconsin Association

United Church of Christ, Southeastern Wisconsin Association

United Methodist Church, Metro North & South Districts

Wisconsin Council of Rabbis

Wisconsin General Baptist State Convention Testimony from Marcus White, Executive Director February 20, 2008

Thank you for holding this hearing today and providing an opportunity to move forward on an important matter.

I would like to begin by highlighting a few key reasons that illustrate why it is that we need to move aggressively to address affordable housing needs.

Milwaukee renters spent dramatically more on housing in 2006 than in 2000, according to a new study by the UWM Employment & Training Institute entitled Milwaukee's Housing Crisis: Housing Affordability and Mortgage Lending Practices written by John Pawasarat.

- Since 2000, the number of Milwaukee renters spending greater than 50% of their income on housing has increased by 48%, rising from 21% of renters in 2000 to 31% of all renters. Again, these renters are paying more than 50% of their income for housing in 2006.
- This trend is mirrored nationally. Unfortunately, of the major Midwest cities compared in the UWM Housing Crisis study, only Detroit has a worse record than Milwaukee.

According to the Milwaukee County Clerk of Courts and a Milwaukee Journal Sentinel report, there has been a substantial increase in the number of foreclosure sheriff sales in Milwaukee County.

- Sheriff sale foreclosures have increased by 326% between 2004 and 2007 (estimated)
- In 2004, there were 658 foreclosure sales. By 2007 that number had grown to an estimated 2,800 according to a January 21, 2008 Journal Sentinel Article on Foreclosures.
- An unexpected trend that is starting to develop is new homelessness caused by foreclosure. We all might assume that this means that people become homeless when they lose their home. That may be the case but the new trend is among people who become homeless because their landlord's property was foreclosed. At the Cathedral Center, a shelter for Women and Families, we housed some twelve families in the last quarter of 2007 who had become homeless because of these. These may very well be people who were paying their rent and paying it on time. But by no fault of their own they became homeless.

"To uphold the dignity of every person and the solidarity of the human community"

- General homelessness has not abated in the last couple years.
 Shelters remain full most of the time. While there have been new and very successful efforts o place people in permanent housing, there is still tremendous need. At Cathedral Center we regularly house several hundred single women and several hundred children each year.
- HUD has estimated that Milwaukee needs some 28,000 additional units of affordable housing (2005).

We are very concerned about the instability that homelessness creates and the instability that arises when families must move from place to place to try to afford housing. If we believe that parents should maintain steady employment and that children should focus on their education, then it is essential that families have as much stability as possible. Safe, decent, affordable housing is central to that stability.

Now for some good news: The first round of City of Milwaukee Housing Trust Fund allocations were recently signed by Mayor Barrett.

- \$1.4 million to fund 5 housing development projects
- \$26.7 million of leveraged funds (this is an astounding 19 to 1 ratio)
- 142 units of new affordable housing
- Hundreds of new jobs (159 construction, 67 each year after)
- Millions of dollars into local economy (\$7.4 million)

The Milwaukee Housing Trust Fund has demonstrated that local efforts to support the development of new affordable housing can be very successful. The city was amazed at the number of applications that were received for this initial wave of allocations.

We support this legislation because we believe it is a very effective way to encourage local government to find creative and new ways to meet affordable housing needs. This has no fiscal impact on the state and is a decision that is left to local elected officials. We certainly hope that many local entities would take advantage of this opportunity and begin to find new ways to encourage the development of affordable housing. The jobs that are created through construction, the jobs created after the housing is built, and the addition of affordable housing units to the local market are all positives that will come from the adoption of this legislation.

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CHAIR: Finance & Personnel Committee Milwaukee Arts Board

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February 20, 2008

Honorable Members Committee on Labor, Elections and Urban Affairs Wisconsin State Senate P.O. Box 7882 Madison, WI 53707

Dear Committee Members:

First, I wish to express my appreciation to Chairman Coggs and to Representative Grigsby for sponsoring this legislation.

I urge your support for Senate Bill 426 and Assembly Bill 752, legislation that would allow a city to extend the life of a tax incremental district for one year after all of the district's project costs have been paid. The tax incremental revenues from the additional year could be used to support local affordable housing initiatives and improvements to the city's housing stock. The Milwaukee Common Council has already gone on record in support of this type of State legislation.

In 2006, the Milwaukee Common Council passed legislation creating the City of Milwaukee Housing Trust Fund. The purpose of the Fund is to provide financial support to developers and governmental entities in the acquisition, construction, rehabilitation and modification of affordable and accessible housing for low-income households, including homeless persons and low-income renters and homeowners, and support for services that assist low-income households in obtaining and maintaining affordable housing. Since its creation, the Housing Trust Fund has been funded by \$2.5 million in City general obligation borrowing authority (2007 Budget) and \$400,000 in City tax levy funding (2008 Budget). However, the legislation establishing the Housing Trust Fund identified "post-closure tax incremental district revenues" as one of the potential funding sources for the Fund. Passage of Senate Bill 426 would enable Milwaukee and other municipalities to use this funding source for affordable housing initiatives.

The City's Housing Trust Fund Advisory Board, which I chair, recently recommended — and the Common Council approved — the awarding of \$1,407,000 in Trust Fund dollars to 5 housing developers for the construction or rehabilitation of 144 affordable housing units, including housing for the homeless as well as low-income rental and owner-occupied housing. This \$1.4 million investment by the City leveraged nearly \$27 million from other funding sources.

The City of Milwaukee actually received 21 project proposals totaling over \$5.6 million in this first rounding of funding awards. Clearly, the demand for affordable housing assistance far exceeds the supply of funds. The Housing Trust Fund Advisory Board found all of these projects to be worthwhile, but limited funding meant that the Trust Fund could only support 5 projects at this time. If tax incremental district revenues could be used to fund affordable housing initiatives — as envisioned by the sponsors of Senate Bill 426 and Assembly Bill 752 — Milwaukee and other communities could better meet their affordable housing needs.

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Thank you/for your consideration in this matter.

Michael J. Murphy

Chair, Housing Trust Fund Advisory Board 10th District Alderman, City of Milwaukee



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle Governor Roger M. Ervin Secretary of Revenue

Senate Committee on Labor, Elections, and Urban Affairs Hearing, February 20, 2008

2007 SB 426 – Authorizing a City or Village to Extend the Life of a Tax Incremental District for One Year to Benefit Housing (Senator Coggs)

Description of Current Law and Proposed Change

Under current law, when a TIF district is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TIF district develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value," the positive difference is referred to as the "value increment." The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment" are retained by the municipality. These funds are used to repay the costs of developing the TIF district. Once the TIF district development costs are repaid, the municipality terminates the TIF district. In general, depending on the type of TIF district and the date of creation, the maximum number of years over which a municipality is permitted to collect incremental levies may not exceed 20, 23, or 27 years.

TIF expenditures must generally occur within TIF district boundaries. An exception exists, however, for blighted areas in Kenosha where expenditures may be made within a one-half mile radius of a district.

Under the bill, a municipality would be permitted to collect tax increments for an additional year if the municipality adopts a resolution to extend the life of the district for a specified number of months and the municipality forwards a copy of the resolution to the Department of Revenue (DOR). The municipality may use up to 75% of the additional tax increments to benefit affordable housing in the city. Any funds not used to benefit affordable housing must be used to improve the municipality's housing stock.

Fairness/Tax Equity

- Special legislation has been used in the past to permit actions that would otherwise not be allowed under the general laws for tax incremental finance districts.
- Although the proposal provides that up to 75% of the additional TIF incremental levies may
 be used to benefit affordable housing, it is conceivable that a municipality could allocate
 none of the additional TIF incremental levies to affordable housing since no minimum
 percentage is specified for this purpose.
- In order for a municipality to create a TIF district, it must get approval from a Board of Review consisting of a member from the municipality and members from the other taxation units whose levies will be affected, such as the county, the school district, and the technical

college district. It may be unfair for the overlying taxing entities to forgo an additional year's of revenue from the incremental value without giving them the opportunity to approve the extension of the TIF district's life.

- TIF incremental levies are generally devoted to the repayment of municipal project costs
 that were needed for certain economic development to occur. For the most part, these
 costs are incurred within the boundaries of TIF districts. The bill would permit TIF
 incremental levies to be used for non-TIF costs outside of TIF district boundaries.
- The bill would allow TIF incremental levies to be used anywhere within the municipality.
 Since there is no requirement that the boundaries of the overlying jurisdictions match the
 boundaries of a municipality using the authority provided by the bill, taxpayers outside of the
 municipality may effectively pay a portion of the housing related expenditures of the
 municipality.

Impact on Economic Development

 The bill would provide municipalities with a means of raising additional funds for affordable housing and improvement of housing within its borders.

Administrative Impact/Fiscal Effect

- The amount of money available for housing under the bill would vary considerably from year to year, depending on the number of TIF districts that close and the incremental value of those districts. In addition, only those municipalities which close a TIF would be able to generate the additional incremental levies permitted under the bill. Over the past 3 years, if every municipality that closed a TIF district had chosen to extend the TIF for another year, the additional incremental levy that could have been collected would have varied from \$6.9 million to \$14.8 million. To the extent that a municipality chooses to exercise the option created under the bill, tax rates of all local overlying taxing jurisdictions would be higher than under current law.
- If the bill defined the term "affordable housing," the bill may be more likely to ensure that additional resources for housing are targeted as intended.
- The Department of Revenue's administrative costs under the bill are expected to be absorbed within existing budget authority.
- Special exceptions tend to complicate the statutes and the administration of TIF laws.

DOR Position

Support.

Contact: Sherrie Gates-Hendrix, (608) 267-1262

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Tamara GRIGSBY

Wisconsin State Representative 18th Assembly District

Testimony Before the Senate Labor, Elections, and Urban Affairs Committee February 20, 2008 Senate Bill 426

I want to thank Chairperson Coggs for joining me in introducing Senate Bill 426 and for scheduling it for a public hearing today.

In Milwaukee, many individuals and families cannot afford to purchase a home or secure decent rental housing. In Wisconsin, a minimum wage worker can afford monthly rent of no more than \$268. Fair market rent for a two-bedroom apartment in Milwaukee is about \$605.

There is also a crucial need for special needs housing. This includes people with chronic mental illness, developmental disabilities, homeless families, and frail and elderly people. Of the total population living below the federal poverty level in the Milwaukee Metropolitan Area, 11%, or 6,752 people, were 65 or older.

As you know, Milwaukee happens to be one of the few cities in the nation that has established a Housing Trust Fund to address the critical housing needs of low-income and special needs populations. However, the need is much greater that the financial resources available to the city. Because city revenues are often limited and strained, we propose a new funding mechanism to provide revenue for our Housing Trust Fund.

This bill is enabling legislation which would give municipalities the authority to extend the life of a Tax Incremental District (TID) for one year in order to address affordable housing issues in their communities. Milwaukee currently has 20 TID's that are scheduled to close over the next 10 years which could provide a valuable source of revenue to add to the resources the City has already pledged for this purpose.

Under this bill, up to 75% of the continuing tax increments would be made available for affordable housing, and the remaining 25% will be used to improve the quality of existing housing stock in the city. This legislation would also enable a municipality to evaluate whether to extend each TID prior to closing, creating a link between successful projects and support for affordable housing. In Milwaukee, this means that \$9 million would be made available for the affordable housing trust fund over 10 years, and \$3 million would be made available to improve the city's existing housing stock.

The concept allows successful TIF projects to support needed housing initiatives. The proposal would not reduce the increments available to finance TIF project costs.

I thank the Committee for your time and consideration of this matter. I am happy to answer any questions Committee members may have.